

Message Text

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ACTION EB-11

INFO OCT-01 ISO-00 IO-14 AF-10 ARA-16 EA-11 EUR-25 NEA-14

RSC-01 AGR-20 CEA-02 CIAE-00 COME-00 DODE-00 FRB-02

H-03 INR-10 INT-08 L-03 LAB-06 NSAE-00 NSC-07 PA-04

AID-20 CIEP-02 SS-20 STR-08 TAR-02 TRSE-00 USIA-15

PRS-01 SP-03 FEA-02 OMB-01 SWF-02 DRC-01 /245 W

----- 093369

R 091711Z MAY 74

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 0208

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY THE HAGUE

AMEMBASSY OTTAWA

AMEMBASSY TOKYO

USMISSION GENEVA

USMISSION EC BRUSSELS

USMISSION OECD PARIS

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E.O. 11652: N/A

TAGS: ETRD, GATT, UK

SUBJECT: INTERNATIONAL DISCIPLINE FOR SHORT SUPPLY
ACTIONS

REF: STATE 74777

1. WE HAVE DISCUSSED THE PRELIMINARY U.S. THINKING AND
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THE QUESTIONS IN THE REFTEL WITH ROBIN ALLOTT (ASSISTANT

SECRETARY, DEPARTMENT OF TRADE), AND TWO OF HIS ASSISTANTS. ALLOTT SAID THAT THE BRITISH GOVERNMENT IS ACTIVELY CONCERNED OVER THE PROBLEM OF SHORTAGES OF SUPPLY, BUT ITS THINKING IS STILL AT A "BEGINNING STAGE". ALLOTT SAID THAT HIS REPLIES TO OUR QUESTIONS SHOULD BE REGARDED AS PRELIMINARY VIEWS, NOT FIRM UK POLICY. (AN FCO OFFICIAL TOLD US THAT A CABINET COMMITTEE HAS BEEN ESTABLISHED TO CONSIDER THE PROBLEM OF RAW MATERIAL SHORTAGES EXCEPT THOSE RELATED TO ENERGY. THIS COMMITTEE HELD ITS FIRST MEETING TWO MONTHS AGO, AND MET AGAIN EARLIER THIS WEEK).

2. ALLOTT BELIEVES THAT THE EXPORT RESTRAINTS CURRENTLY IMPOSED BY DEVELOPED AND DEVELOPING COUNTRIES, APART FROM THOSE ON OIL, HAVE "RELATIVELY LIMITED" ECONOMIC EFFECT. THE PROBLEM, HE BELIEVES, IS MORE POTENTIAL THAN ACTUAL. (HE CONSIDERS THAT OIL WILL PROBABLY HAVE TO BE REGARDED AS A SPECIAL CASE, TO BE DEALT WITH SEPARATELY FROM OTHER RAW MATERIALS). ALLOTT THINKS THAT INTERNATIONALLY AGREED GUIDELINES AND PROCEDURES WOULD DEFINITELY HELP ALLEVIATE THE PROBLEM OF EXPORT RESTRAINTS. GOVERNMENTS COULD USE THEM IN RESISTING DOMESTIC PRESSURE TO IMPOSE CONTROLS, AND THEY WOULD BE INHIBITED BY THE OBLIGATION TO JUSTIFY THE IMPOSITION OF CONTROLS.

3. ALLOTT CONSIDERS THAT ECONOMIC CRITERIA SHOULD BE USED TO DETERMINE WHETHER AN EXPORT RESTRAINT IS JUSTIFIED. FOR EXAMPLE, COUNTRIES COULD BE ALLOWED TO IMPOSE RESTRAINTS IF THEY CAN DEMONSTRATE THAT THEY WOULD SUFFER SERIOUS INJURY WITHOUT THEM, OR IF THE RESTRAINTS ARE NEEDED FOR COUNTER-INFLATION PROGRAMS. ALLOTT BELIEVES THAT AGREED CRITERIA SHOULD NOT BE TOO RIGID OR LEGALISTIC. CASES SHOULD BE EXAMINED ON THEIR MERITS, ON AN AD HOC BASIS.

4. ALLOTT SAID THAT IT WOULD BE USEFUL FOR THE OECD TO MAKE A LIST OF ALL THE JUSTIFICATIONS THAT HAVE BEEN USED IN THE PAST FOR EXPORT RESTRAINTS, AND THEN TO DECIDE WHICH ARE ACCEPTABLE AND WHICH ARE NOT. ALLOTT BELIEVES THAT SOME OF THE TRADITIONAL JUSTIFICATIONS ARE TOO MERCANTILIST, AND SHOULD BE REJECTED. FOR EXAMPLE, LIMITED OFFICIAL USE

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ALLOTT DOES NOT CONSIDER THAT A DEVELOPED COUNTRY SHOULD BE ALLOWED TO USE EXPORT RESTRAINTS AS A WAY TO DIVERSIFY ITS ECONOMY. (HE WAS OBVIOUSLY REFERRING TO CANADA). DEVELOPING COUNTRIES WILL OBVIOUSLY PRESS FOR SPECIAL EXCEPTIONS. THE AMOUNT OF FLEXIBILITY IN THE APPLICATION OF THE GUIDELINES SHOULD DEPEND ON A COUNTRY'S INTERNAL ECONOMIC SITUATION AND ITS LEVEL OF DEVELOPMENT, ALLOTT SAID.

5. WITH REGARD TO THE RIGHTS OF AFFECTED COUNTRIES (PARA 3E OF REFTTEL), ALLOTT BELIEVES THAT THE KIND OF GATT RULES THAT REQUIRE THE PAYMENT OF COMPENSATION FOR IMPORT RESTRICTIONS WOULD NOT BE APPROPRIATE FOR EXPORT CONTROLS. HE CONSIDERS THAT IN OPERATING A JUSTIFIABLE EXPORT CONTROL SCHEME, A COUNTRY SHOULD AT LEAST BE OBLIGED TO ENSURE THAT THE SCHEME DOES NOT INJURE ANY OTHER COUNTRY UNDULY, AND THAT IT SPREADS THE BURDEN EVENLY. ALLOTT SAYS THAT THERE WILL CLEARLY HAVE TO BE SANCTIONS FOR UNJUSTIFIABLE EXPORT CONTROLS. ONE POSSIBILITY WOULD BE TO ALLOW OTHER COUNTRIES TO PUT UP IMPORT BARRIERS AGAINST THE FINISHED PRODUCTS THAT CONTAIN RAW MATERIALS ON WHICH UNJUSTIFIABLE CONTROLS HAVE BEEN IMPOSED.

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6. AS FOR RULES THAT SHOULD APPLY TO EXPORT RESTRAINTS WHEN THEY ARE IMPOSED, ALLOTT SAID THAT THE GATT PROCEDURES WHICH NOW APPLY TO IMPORT RESTRICTIONS SHOULD BE EXAMINED TO SEE WHETHER THEY CAN BE ADAPTED TO EXPORT RESTRAINTS. ALLOTT BELIEVES THAT IT WILL AT LEAST BE NECESSARY FOR GATT TO CONDUCT REGULAR REVIEWS OF EXPORT RESTRAINTS TO ENSURE THAT THEY CONTINUE TO BE JUSTIFIED.
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7. WITH REGARD TO PRIOR CONSULTATION, ALLOTT SAID THIS WILL OBVIOUSLY NOT BE POSSIBLE IN CASES OF EMERGENCY. PRIOR CONSULTATION SHOULD BE REQUIRED WHEN EXPORT RESTRAINTS ARE IMPOSED IN CONNECTION WITH LONG-TERM ECONOMIC POLICIES.

8. ALLOTT CONSIDERS THAT BOTH THE OECD AND THE GATT SHOULD BE USED AS FORUMS FOR DEVELOPING INTERNATIONALLY AGREED GUIDELINES. THE BASIC POLICY CONSIDERATIONS INVOLVED SHOULD BE DISCUSSED FIRST IN THE OECD, AND THE SPECIFIC GUIDELINES SHOULD THEN BE ELABORATED IN THE GATT. THE WORK IN GATT SHOULD NOT WAIT UNTIL DISCUSSIONS IN THE OECD CONTEXT ARE FINISHED, HOWEVER. ALLOTT BELIEVES THAT SERIOUS WORK IN GATT SHOULD MOVE AHEAD RAPIDLY.

9. AS FOR INTERNATIONAL MACHINERY, ALLOTT BELIEVES THAT GATT PANELS ARE NOT PERMANENT ENOUGH TO DEAL WITH EXPORT RESTRAINT PROBLEMS, AND WORKING PARTIES ARE TOO CUMBERSOME. WHAT IS NEEDED, HE SAID, IS SOME FORM OF PERMANENT SURVEILLANCE BODY IN THE GATT FRAMEWORK WHOSE FUNCTIONS WOULD INCLUDE THE ARBITRATION OF DISPUTES.

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Disposition Date: 28 MAY 2004
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